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Annual Report

of

NEW METHOD LAUNDRY COMPANY, LIMITED

and its subsidiary

SPICK & SPAN, LIMITED

For the Fiscal Year ended 31st December 1964

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NEW METHOD LAUNDRY COMPANY,
LIMITED

7th April 1965

To the Shareholders of
New Method Laundry Company Limited.

Your directors submit herewith the 1964 Consolidated Annual Report of the Company and its subsidiary, Spick & Span, Limited including Balance Sheet as at 31st December 1964 and Statements of Earnings and Earned Surplus.

During the year, by Supplementary Letters Patent, the company's capital stock was split four for one thereby dividing the 25,000 authorized and issued common shares into 100,000 common shares.

Net Profit for the year was $70,984.90 compared with $57,231.12 in 1963. This is an increase of 24% and represents 71¢ per share as compared with 57¢ in 1963 and 49¢ in 1962. Dividends amounting to 40¢ per share were declared in 1964. Capital expenditures during the year amounted to $151,413.42 and the company's seventh and eighth "Package Unit" stores commenced operations. Working capital increased by $11,099.29 and significant operating cost reductions were effected at the main plant as a result of purchase of certain new equipment.

Your directors wish to express appreciation for the efforts of the employees and particularly of the executive staff during the past year.

On behalf of the Board

"J. P. Sheedy"

President

CONSOLIDATED BALANCE SHEET

As at 31st December 1964 with Comparative Figures for 1963

New Method Laundry Company Limited

and its subsidiary

Spick & Span, Limited

ASSETS

CURRENT ASSETS	1964	1963
Cash	$ 48,783.35	$ 39,776.53
Marketable Investments-at Cost (Market Value 1964 - $4,562.50; 1963 - $4,475.00)	4,987.50	4,987.50
Accounts Receivable-Less Allowance for Doubtful Accounts	67,961.23	66,885.20
Inventory of Supplies (Note 1)	73,078.61	71,130.75
Cash Surrender Value of Life Insurance Policies	67,287.66	62,449.23
Prepaid Expenses	17,176.83	14,651.90
	$ 279,275.18	$ 259,881.11
PROPERTY, PLANT AND EQUIPMENT		
Assets at Cost	$1,795,563.40	$1,672,442.03
Less:Accumulated Depreciation	1,353,711.42	1,294,070.15
	$ 441,851.98	$ 378,371.88
OTHER ASSETS		
Bondholders' Trust Account	$ 773.55	$ 903.38
Unamortized Expense of Bond Issue	1,541.20	2,027.92
Deferred Charges	6,679.78	-
Unamortized Leasehold Improvements	30,461.85	31,244.83
	$ 39,456.38	$ 34,176.13
GOODWILL	$ 43,230.03	$ 46,834.31
	$ 803,813.57	$ 719,263.43

Approved on behalf of the Board

J. P. Sheedy, Director

J. S. Morin, Director

LIABILITIES

CURRENT LIABILITIES	1964	1963
Bank Loan	$ -	$ 20,000.00
Accounts Payable and Accrued Liabilities	84,702.39	68,379.83
Serial Bond Payments due within one year	7,000.00	12,000.00
Sinking Fund Bond Instalments due within one year	7,000.00	7,000.00
Notes Payable-Payments due within one year	25,944.00	-
Income Taxes Payable	19,817.29	20,039.07
Dividend Payable	10,000.00	18,750.00
	$ 154,463.68	$ 146,168.90
DEFERRED LIABILITIES		
Bonds Payable (Note 2)	$ 59,000.00	$ 73,000.00
Notes Payable (Secured)	63,161.00	-
	$ 122,161.00	$ 73,000.00
DEFERRED INCOME TAXES (Note 3)	$ 7,330.86	$ 6,341.39
TOTAL LIABILITIES -	$ 283,955.54	$ 225,510.29
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized, Issued and Fully Paid- 100000 No Par Value Common Shares	$ 235,314.91	$ 235,314.91
EARNED SURPLUS	284,543.12	258,438.23
	$ 519,858.03	$ 493,753.14
	$ 803,813.57	$ 719,263.43

AUDITOR'S REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of New Method Laundry Company Limited and its subsidiary Spick & Span, Limited as at 31st December 1964 and the consolidated statement of earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, based upon our examination and the information and explanations given to us, the above consolidated balance sheet and the accompanying consolidated statement of earnings, supplemented by the notes thereto, fairly present the financial position of the companies at 31st December 1964 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, 24th February 1965

SHEPPARD, CARTLEDGE, HAMMOND, TOSSELL & CO.,
Chartered Accountants

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended 31st December 1964 with Comparative Figures for 1963

New Method Laundry Company Limited

and its subsidiary

Spick & Span, Limited

	1964	1963
EARNINGS from Operations before deducting the charges set out below	$ 208,037.37	$ 173,215.88
Deduct: Depreciation and Amortization	$ 84,941.57	$ 69,789.61
Provision for Income Taxes	48,506.76	41,834.32
Bond Interest	3,604.14	4,360.83
	$ 137,052.47	$ 115,984.76
PROFIT FOR THE YEAR	$ 70,984.90	$ 57,231.12

CONSOLIDATED STATEMENT OF EARNED SURPLUS

For the year ended 31st December 1964 with Comparative Figures for 1963

	1964	1963
BALANCE AT BEGINNING OF YEAR	$ 258,438.23	$ 241,795.70
ADDITIONS		
Net Profit for the year	$ 70,984.90	$ 57,231.12
Net Capital Gains	284.27	553.92
	$ 71,269.17	$ 57,785.04
DEDUCTIONS		
Dividends	$ 40,000.00	$ 37,500.00
Amortization of Goodwill	3,604.28	3,604.28
Prior Year's Adjustments	1,560.00	38.23
	$ 45,164.28	$ 41,142.51
BALANCE AT END OF YEAR	$ 284,543.12	$ 258,438.23

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 1964

New Method Laundry Company Limited

and its subsidiary

Spick & Span, Limited

1. INVENTORY OF SUPPLIES

Linen supplies are recorded at original cost less an allowance for usage. Other supplies are at cost.

2. BONDS PAYABLE

Series "A"-			
4¼% First (Closed) Mortgage Serial Bonds maturing 1st March 1965 to 1968 (Bonds maturing in 1965 are included in Current Liabilities)			$ 31,000.00
Series "B"-			
4½% First Mortgage Sinking Fund Bonds maturing 1st March 1968		$ 42,000.00	
Less: Redeemable in 1965 from-			
Cash in Hands of Trustee	$ 7,000.00		
Instalment due in 1965	7,000.00	14,000.00	28,000.00
			$ 59,000.00

3. DEFERRED INCOME TAX

For taxation purposes the Company has taken full advantage of the right to claim capital cost allowances in excess of normal depreciation provisions. This has the effect of deferring income tax to those years when capital cost allowances will be less than normal depreciation.